

House File 738 - Introduced

HOUSE FILE _____
BY COWNIE

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act excluding from the computation of net income the interest
2 and principal on student loans and including a retroactive
3 applicability date provision.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 2177YH 83
6 tw/sc:mg/24

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1 1 Section 1. Section 422.7, Code 2009, is amended by adding
1 2 the following new subsection:
1 3 NEW SUBSECTION. 42A. a. Subtract, to the extent not
1 4 otherwise deducted, the amount of principal paid and the
1 5 amount of interest paid on a student loan if the taxpayer has
1 6 graduated during the calendar year from an accredited two-year
1 7 or four-year college or university and is employed full-time
1 8 in the state at the end of the tax year.
1 9 b. The deduction pursuant to this subsection is available
1 10 beginning with the tax year in which the taxpayer graduated or
1 11 the following year, as elected by the taxpayer, and for the
1 12 ensuing four tax years.
1 13 c. The amount of principal deducted pursuant to paragraph
1 14 "a" shall not exceed the following amounts:
1 15 (1) For single persons and married persons filing
1 16 separately with adjusted gross income of seventy-five thousand
1 17 dollars or less, two thousand five hundred dollars.
1 18 (2) For single persons and married persons filing
1 19 separately with adjusted gross income of more than
1 20 seventy-five thousand dollars but less than ninety-five
1 21 thousand dollars, one thousand five hundred dollars.
1 22 (3) For single persons and married persons filing
1 23 separately with adjusted gross income of ninety-five thousand
1 24 dollars or more, zero dollars.
1 25 (4) For married persons filing jointly, heads of
1 26 household, and surviving spouses with adjusted gross income of
1 27 one hundred fifty-five thousand dollars or less, five thousand
1 28 dollars.
1 29 (5) For married persons filing jointly, heads of
1 30 household, and surviving spouses with adjusted gross income of
1 31 more than one hundred fifty-five thousand dollars but less
1 32 than two hundred thousand dollars, three thousand dollars.
1 33 (6) For married persons filing jointly, heads of
1 34 household, and surviving spouses with adjusted gross income of
1 35 two hundred thousand dollars or more, zero dollars.
2 1 d. The amount of interest deducted pursuant to paragraph
2 2 "a" shall not exceed the following amounts:
2 3 (1) For single persons and married persons filing
2 4 separately with adjusted gross income of seventy-five thousand
2 5 dollars or less, five thousand dollars.
2 6 (2) For single persons and married persons filing
2 7 separately with adjusted gross income of more than
2 8 seventy-five thousand dollars but less than ninety-five
2 9 thousand dollars, three thousand dollars.
2 10 (3) For single persons and married persons filing
2 11 separately with adjusted gross income of ninety-five thousand
2 12 dollars or more, zero dollars.
2 13 (4) For married persons filing jointly, heads of
2 14 household, and surviving spouses with adjusted gross income of
2 15 one hundred fifty-five thousand dollars or less, ten thousand
2 16 dollars.
2 17 (5) For married persons filing jointly, heads of
2 18 household, and surviving spouses with adjusted gross income of
2 19 more than one hundred fifty-five thousand dollars but less

2 20 than two hundred thousand dollars, six thousand dollars.
2 21 (6) For married persons filing jointly, heads of
2 22 household, and surviving spouses with adjusted gross income of
2 23 two hundred thousand dollars or more, zero dollars.
2 24 Sec. 2. RETROACTIVE APPLICABILITY DATE. This Act applies
2 25 retroactively to January 1, 2009, for tax years beginning on
2 26 or after that date.

2 27 EXPLANATION

2 28 This bill allows recent college graduates to deduct student
2 29 loan interest and principal in determining net income for
2 30 purposes of computing the amount of state income tax due.

2 31 Individuals filing separately with adjusted gross income of
2 32 \$75,000 or less may deduct up to \$2,500 of principal and up to
2 33 \$5,000 of interest every year for the first five years
2 34 following graduation from an accredited two-year or four-year
2 35 college or university.

3 1 Individuals filing separately with adjusted gross income of
3 2 more than \$75,000 but less than \$95,000 may deduct up to
3 3 \$1,500 of principal and up to \$3,000 of interest.

3 4 Individuals filing separately with adjusted gross income of
3 5 \$95,000 or more are not eligible for a deduction.

3 6 Married persons filing jointly, heads of household, and
3 7 surviving spouses with adjusted gross income of \$155,000 or
3 8 less may deduct up to \$5,000 of principal and up to \$10,000 of
3 9 interest.

3 10 Married persons filing jointly, heads of household, and
3 11 surviving spouses with adjusted gross income of more than
3 12 \$155,000 but less than \$200,000 may deduct up to \$3,000 of
3 13 principal and up to \$6,000 of interest.

3 14 Married persons filing jointly, heads of household, and
3 15 surviving spouses with adjusted gross income of \$200,000 or
3 16 more are not eligible for a deduction.

3 17 The bill applies retroactively to January 1, 2009, for tax
3 18 years beginning on or after that date.

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